

King County Quarterly Economic Measures

Second Quarter, 1997

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Executive Summary

As part of its 1997 special programs contract with the Office of Budget and Strategic Planning, the Central Puget Sound Economic Development District (EDD) produces quarterly reports on national and county economic measures. This document is an executive summary of the second quarter, 1997 report. Anyone desiring copies of the full 21-page report should contact Ray Moser, Manager, Economic Development Program at 205-0707.

I. NATIONAL

Economic Measures/Interest Rates/AA Bond Rates

The real gross domestic product (GDP) slowed in the second quarter, growing at a 2.2% annual pace, and 3.1% since 2Q/96. This is down from a revised 4.9% annual rate in the first quarter. Growth slowed due to a sharp drop in consumer spending, from a 5.3% annual rate in the first quarter to 0.8% in the second. Many analysts believe GDP growth will increase in the current quarter. Annual real GDP growth has ranged between 2.0 and 3.5% the past five years, growing at a revised 2.8% rate last year.

The Federal Reserve Board has not raised its target rate for the federal funds rate since late March, when it when rose 0.25 to 5.50%. The prime rate (8.5%) and discount rate (5.0%) did not change in the second quarter. The Fed reportedly believes that inflation (for now) is under control. Since GDP growth has slowed, it is unlikely they will raise rates in the immediate future. The second quarter Consumer Price Index rose at an annual rate of 1.5%, rising 2.3% during the previous twelve months.

Interest rates for treasury bills and bonds rose for the second straight quarter, with rates peaking in April, then dropping in May and June. Thirty year home mortgage rates in Washington state rose slightly for the second straight quarter, averaging just above 8.1%, but falling to 7.8% by the end of June. In the past five years, mortgage rates have ranged from 7.0% (October 1993) to over 9.4% (late 1994).

AA bond rates in late July had dropped sharply from April rates, from .60 to .85 of a percentage point.

Industrial/Manufacturing Measures

Non-farm inventories were up \$60.7 billion in 2Q/97, slightly higher than in the first quarter.

Capacity utilization rates fell slightly in the second quarter, at 83.5% overall and 82.6% for manufacturing. It is backing off slightly from the 85% level, which many economists consider a significant indicator that economy is overheating and rising inflation is imminent. Since 1Q/94,

capacity utilization has usually ranged between 83% and 85%, yet inflation has not increased. Some are beginning to question how useful the 85% standard is.

Industrial production slowed to a 3.2% annual rate in the first quarter; it rose 4.2% over 2Q/96.

Income Measures

Per capita disposable personal income growth slowed to a 2.2% annual rate in the second quarter from a revised 3.8% annual growth rate in the first quarter; it rose 1.9% from 2Q/96 to 2Q/97. This was up from a 1.5% rise from 2Q/95 to 2Q/96.

II. KING COUNTY

Economic Activity

The West-C CPI rose 2.5% in the twelve months ending second quarter of 1997. Bankruptcy filings in both King County (13%) and the Central Puget Sound region (15%) have risen over 2Q/96 numbers. Looser bankruptcy laws and easier credit may be the reason for large increases in filings over the past year.

King County taxable retail sales rose 7.6% in 4Q/96 over 4Q/95. (Fourth quarter 1996 is the most recent quarter for which data is available.) Wholesale trade sales rose 17%, with dramatic gains in Kent (up 74%). Finance, insurance and real estate (FIRE) sales rose 12%. Retail trade taxable sales rose 6%. Notable retail sales changes took place in lumber and building materials (up 16%) and electronics and music stores (up 14.5%). Services growth remained flat. Business services sank 9%, while computer services rose sharply (up 24%).

Seattle taxable retail sales rose 7.0% in 4Q/96 over 4Q/95. Services rose 4.7%, led by a sharp rise in computer services (up 23%) and hotels and motels (up 7.6%). Wholesaling sales rose almost 18%. Building Materials and Hardware sales rose 15%. Contracting sales rose 12.9%.

Employment

King County first quarter unemployment dropped to 3.4%, the lowest unemployment rate since third quarter 1990, when it was 3.5%. Unemployment sank significantly in the Central Puget Sound region, from 4.6% to 3.7%. The region's unemployment rate is still lower than the seasonally adjusted national rate, which was 4.9% in the second quarter, the lowest second quarter rate since 1970. U.S. unemployment has been dropping consistently since averaging 7.5% in 1992.

In the King-Snohomish-Island County region, durable manufacturing employment rose for the sixth straight quarter after falling five consecutive quarters, with employment almost 15% over the 2Q/96. This is primarily due to hiring at Boeing. Aircraft and parts manufacturing continues to grow rapidly, with employment increasing 22% over the same time period. Transportation by Air grew even more rapidly, with employment up nearly 32% over the second quarter of 1997. Business services employment grew 14% over the same period.

Construction

Closed home sales in King County rose significantly (31%) from first quarter totals, reflecting usual seasonal increases. Closed home sales rose 4% from 2Q/96 to 2Q/97. Average prices rose 8.2% over the same period, indicating that the market is heating up. Many expect King County housing prices to rise steadily the next few years.

Seattle permit values for non-residential construction were over double (107.1%) higher than 2Q/96. Much of the increase is due to the new Mariners' stadium. New residential unit permits increased slightly over first quarter (4%), but were down 47% from a year earlier, as a large apartment complex permit was filed in 2Q/96. The market for apartments continues to tighten, and this level of building activity will not come close to meeting increased demand.

Office Market

Vacancy rates changed little in King County. In Downtown Seattle, the vacancy rate rose for the first time in 3 years. Vacancies rose slightly to 6.0%, though Class A vacancies continued to fall (3.8%). Absorption, the change in the amount of leased space, rose to 235,912 square feet for the quarter. Almost 300,000 square feet of downtown office space is now under construction, with over 4,650,000 square feet of office construction planned. Most of the planned construction is in Pioneer Square, Denny Regrade and the Central Business District.

North King County vacancy rates fell for the third straight quarter, dropping to 7.6%. South King County vacancy rates rose to 28.2%, due to the addition of new office space in the Southcenter area.

Bellevue/Eastside had positive absorption of over 180,000 square feet, about double the previous quarter. Space continues to tighten, with the vacancy rate at 2.5%. Class A space is extremely tight (1.5%), with median rates at \$23.00. This area continues to have the most activity, with over 730,000 square feet of office space under construction, and over 4.8 million square feet of planned office construction.

Even though office vacancies are high in South King County and substantial in North King County, demand for Downtown Seattle and Bellevue/Eastside office space remains high.

Industrial Market

The King County industrial market slowed in the second quarter, as several large spaces became vacant. Absorption changed little, while overall vacancy rates rose slightly. Bellevue/Eastside absorption rose to 180,000 square feet, while Kent Valley (32,940 sf) and Seattle (-3,051 sf) changed little. Industrial vacancy rates rose slightly in Seattle Close-In (3.4%), while Seattle high tech vacancy rates rose to 10.7%. Kent Valley vacancy rates also rose (6.7%). The Eastside industrial market did better, with vacancy rates dropping to 5.3% and high-tech rates dropping to 4.9%.

CB Commercial forecasts that the industrial market will remain strong in King County. Space remains tight in Seattle Close-In, with little space planned or under construction. Kent Valley will continue to expand, with 800,000 square feet under construction, and over 5.5 million square feet planned. The Eastside market is also expanding, with over 450,000 square feet under construction and over 2.75 million square feet planned.

Retail Market

The Puget Sound Retail Market heated up markedly in the first half of 1997, with absorption of about 1.4 million square feet. This is nearly ten times the absorption for all of 1996. Half of the region's absorption was in the Southend market, and was due partly to two new movie complexes, one a 17 screen complex at the Auburn Super Mall. (The Southend retail market runs from the West Seattle Bridge through south King County, as well as Pierce and Thurston Counties.)

Most of the remaining absorption was in the Northend (320,000 sf). Vacancies rose slightly (5.4%) because of new space available, with several Ernst, Best Products and Silo spaces becoming available. (The Northend retail market extends north from the Ship Canal through north King County, Snohomish County and the northern counties.)

Downtown Seattle still has the lowest vacancy rate of any Puget Sound market, though it rose to 2.3%, with over 60,000 square feet of absorption during the first half of 1997. There is almost 700,000 square feet under construction downtown and about 500,000 square feet planned.

Bellevue/Eastside is also strong; though vacancies rose (4.8%), absorption also rose (111,466 sf), and there is nearly 900,000 square feet under construction.

CB Commercial forecasts a continued strong retail market, with people moving to the region and earning above average wages.

Apartment Market

The Puget Sound apartment market tightened further in the first half of 1997, with vacancy rates dropping from 2.5% to 2.1%, while rents rose 4.3%. The Seattle market vacancy rate rose a notch but remained low (1.3%). Seattle rents rose an average of 4.1%.

Vacancy rates fell in South King County (1.9%) and Pierce County (4.8%). Pierce County is the only major area with a vacancy rate over 2.0%. Although the East King County vacancy rate rose a notch to 1.1%, rents rose an average of 5.5%.

CB Commercial forecasts demand to continue rising, as growth at Boeing, Microsoft, Intel and other companies draws people to the region. Apartment building will continue to lose pace with demand, pushing rents higher.

Convention Information

The number of room nights for 2Q/97 rose 64% from 2Q/96, while Conventions and Events rose 4%.

Job Dislocation Activity

There were 881 job losses reported through the Worker Adjustment and Retraining Notification Act (WARN) for 2Q/97. This is under half of WARN reported job losses for 1Q/97. Job losses for the first half of 1997 total 2,754, 69% of reported job losses for all of 1996. The largest job losses took place at Bristol-Myers Squibb (approximately 240 pharmaceutical research jobs), BNSF Railroad (150 railway clerks), MIDCOM Communications (127 telephone service and sales jobs) and Snoqualmie Valley Hospital (100 health care jobs).

Boeing and Airline Industry Data

Boeing employment in Washington state rose about 28% in the year ending in June 1997, to 95,892 jobs. Boeing contractual backlogs dropped 2.7% the past quarter, ending at \$86.8 billion by the end of the first quarter. Backlogs have risen 6.5% the past 12 months, however. While most of the backlog consisted of commercial aircraft orders, defense and space backlogs have risen 73% in the past twelve months.

U.S. ECONOMIC MEASURES

	1996			1997	
	II	III	IV	I (r)	II (p)
Gross Domestic Product	\$7,607.7	\$7,676.0	\$7,792.9	\$7,933.6	\$8,004.8
GDP Growth	\$398.2	\$374.7	\$411.0	\$466.1	\$397.1
Real GDP	\$6,926.0	\$6,943.8	\$7,017.4	\$7,101.6	\$7,139.7
Real GDP Growth	\$217.2	\$184.6	\$220.9	\$275.2	\$213.7
% Real GDP Growth*	3.2%	2.7%	3.3%	4.0%	3.1%
% Real Quarterly GDP Growth**	1.5%	0.3%	1.1%	1.2%	0.5%
% Real GDP Growth Annualized***	6.0%	1.0%	4.3%	4.9%	2.2%
GDP Implicit Price Deflator	109.8	110.5	111.1	111.7	112.1
Consumer Price Index	156.5	157.4	158.5	159.6	160.2

	1996			1997	
INTEREST RATES	II	III	IV	I (r)	II (p)
1 yr T-Bill	5.35	5.46	5.19	5.33	5.52
3 yr T-Bond	6.29	6.36	5.94	6.19	6.42
10 yr T-Bond	6.72	6.78	6.34	6.56	6.70
30 yr T-Bond	6.93	6.97	6.61	6.82	6.93
Discount Rate	5.00	5.00	5.00	5.00	5.00
Prime Rate	8.25	8.25	8.25	8.27	8.50
New Home Mortgage Yield (National)	7.87	8.02	7.85	7.82	8.02
Avg Mortgage Rate (WA State)	8.34	8.38	7.96	8.02	8.12

(r) - Revised. (p) - Preliminary.

Gross Domestic Product: Billions of current dollars.

GDP Growth: Change from same period, one year ago, in billions of current dollars

Real GDP: Gross domestic product in 1992 dollars.

Real GDP Growth: Change in real GDP from one year ago.

* % Real GDP Growth: Percentage growth from same quarter last year.

** % Real Quarterly GDP Growth: Percentage growth from last quarter.

***% Real GDP Growth Annualized: Real growth compounded quarterly to achieve an annual rate. It is not adjusted for seasonal variation.

GDP Price Deflator: 1992 =100.

CPI: 1982-1984=100.

National Interest Rates: 3 month average of rates.

New Home Mortgage Yield (National): Effective rate (in the primary market) on conventional mortgages, reflecting fees and charges as well as contract rate and assumed, on the average, repayment at end of 10 years.

Average Mortgage Rate: 3 month average of 30 year fixed mortgage rates for Washington State.

SOURCES:

Economic Measures come from the U.S. Bureau of Economic Analysis (BEA) (<http://www.bea.doc.gov/bea/>).

National Interest Rates come from the **Federal Reserve Statistical Release** (<http://www.bog.frb.fed.us/releases/H15/>).

New Home Mortgage Yield comes from the U.S. Census Bureau (<http://www.census.gov/statab/indicator/homemort.html>).

Washington State Average Mortgage Rate comes from **Seattle Times Business section**, Market Trends Research Co.

	G.O. Tax Exempt	G.O. Taxable	Revenue Bonds
10 yr	4.60	6.70	4.70
20 yr	5.10	7.10	5.20
30 yr	5.15	7.15	5.25

AA BOND RATES AS OF 7/23/97

SOURCE: Seattle Northwest Securities

GENERAL INDICATORS OF ECONOMIC ACTIVITY

REGION	1996			1997	
	II	III	IV	I (r)	II (r)
CPI (West-C)	162.3	162.7	163.7	165.5	166.3
Bankruptcies (King, Pierce, Snohomish, Kitsap)	4,287	4,287	4,273	4,893	4,929
Taxable Retail Sales (King, Pierce, Snohomish, Kitsap)	\$9,801,689,071	\$10,373,755,067	\$10,745,844,480		
# of businesses reporting	80,552	80,945	102,019		

LOCAL	1996			1997	
	II	III	IV	I (r)	II (r)
CPI (Seattle/Tacoma)	155.6	159.4	159.4		
TOTAL Shipments					
Air freight (Metric Tons)	72,767	74,469	69,517	63,986	67,455
Water-borne freight (Thousand Metric Tons)	4,095	3,306	4,410		
Air Passengers (Sea-Tac)	6,163,677	7,488,606	5,522,865	5,133,341	5,754,728
New Business Starts (Seattle)	2,577	2,082	1,258	3,513	1,783
Bankruptcies (King Co.)	1,965	2,004	1,956	2,233	2,222
Taxable Retail Sales (Seattle)	\$2,383,591,228	\$2,489,717,946	\$2,566,429,250		
# of businesses reporting (Seattle)	22,310	22,208	27,569		
Electrical Energy Usage (1,000's of kilowatts)	2,193,537	2,006,668	2,302,205	2,703,760	2,215,740
Residential Telephone Access Lines	366,744	367,955	372,501	375,007	
Business Telephone Access Lines	136,542	139,951	143,119	142,888	
Natural Gas Customers (Thousands)	186.2	186.4	193.4	195.6	

CPI (West-C): This index covers cities whose populations range from 50,000 to 333,000 in the Western U.S. This includes Montana, Colorado, Wyoming, New Mexico and all states to the west (Alaska and Hawaii also). 1982-1984 = 100.

New Business Starts consist of the total new business license accounts for the quarter.

SOURCES:

Shipments: Port of Seattle. (Waterborne Freight for First and Second Quarter 1997 is not yet available.)

Air Passengers: Port of Seattle. (Second Quarter 1997 is a projection based on April and May totals, since June is not yet available.)

New Business Starts: Seattle Dept. of Licensing. (These figures are revised.)

Bankruptcies: U.S. Bankruptcy Court.

Taxable Retail Sales: *Quarterly Business Review*, Dept. of Revenue, WA State.

Electrical Energy Usage: Seattle City Light.

Telephone Access Lines: US West. (Third Quarter 1996 totals are a projection based on July and September totals. Second Quarter 1997 totals are not yet available.)

Natural Gas Customers: Puget Sound Energy. (Second Quarter 1997 totals are not yet available.)

CPI: U.S. Department of Labor, Bureau of Labor Statistics. 1982-1984=100

INDUSTRIAL/MANUFACTURING MEASURES

National	1996			1997	
	II (r)	III (r)	IV (r)	I (r)	II (p)
Producers' Durable Equipment	577.1	602.9	606.7	616.6	645.9
Changes in Non-Farm inventories	17.3	31.6	26.5	58.3	60.7
Manufacturers' New Orders	933,334	946,968	957,546	967,642	977,443
Non-defense capital goods orders	128,387	134,710	135,979	138,257	134,579
Industrial production	114.80	115.80	117.03	118.63	119.57
Capacity utilization rates (%)					
Total Industry	83.3	83.2	83.3	83.7	83.5
Manufacturing	82.1	82.3	82.3	82.8	82.6

(r) - Revised. (p) - Preliminary.

Producers' Durable Equipment: Billions of 1992 dollars, seasonally adjusted rates.

Changes in Non-Farm Inventories: Billions of 1992 dollars, seasonally adjusted rates.

Manufacturers' New Orders: Millions of current dollars, seasonally adjusted rates.

Non-Defense Capital Goods Orders: Millions of current dollars, seasonally adjusted rates.

Industrial Production: 1992=100, figures are 3 month average.

SOURCES:

Producers' Durable Equipment and Changes in Non-Farm Inventories: **U.S. Bureau of Economic Analysis** (<http://www.bea.doc.gov/bea/newsrel>).

Manufacturers' New Orders and Non-Defense Capital Goods Orders: **U.S. Census Bureau** (<http://www.census.gov/indicator/www/table5p.txt>).

Industrial Production and Capacity Utilization Rate: **Federal Reserve Statistical Release** (<http://www.bog.frb.fed.us/releases/g17/Current/>).

EMPLOYMENT					
REGION (King, Kitsap, Pierce, Snohomish and Island)	1996 II	III	IV	1997 I (r)	II (p)
Civilian Labor Force	1,668,277	1,687,413	1,704,837	1,730,740	1,736,633
Non-Agricultural Employment					
Total	1,507,800	1,527,933	1,559,133	1,546,800	1,577,550
Construction	75,467	83,900	80,900	76,100	77,950
Retail	265,697	272,126	278,256	268,040	274,307
Wholesale Trade and Utilities	124,863	126,771	126,427	125,030	125,863
Manufacturing	215,867	223,733	231,700	236,900	242,850
Durable goods	159,467	166,217	173,500	180,067	182,950
Non-durable goods	56,100	57,517	58,200	56,833	58,000
Government	252,133	238,467	252,700	250,867	255,750
FIRE	87,833	90,267	90,200	89,067	90,350
Services	422,300	427,800	434,000	437,233	446,450
Non-Agricultural Unemployment (UE)					
Initial UE Claims	33,202	45,882	34,013	36,901	27,567
UE Rate	5.0%	4.4%	4.6%	4.6%	3.7%
Unemployment Beneficiaries	48,438	62,127	42,225	41,279	42,235
Manufacturing	8,523	10,344	6,676	5,945	6,308
Non-Manufacturing	39,916	51,784	35,549	35,334	35,927
LOCAL (King County)	1996 II	III	IV	1997 I (r)	II (p)
Civilian Labor Force	944,433	959,967	967,733	978,000	984,967
Non-Agricultural Employment					
Total	1,007,600	1,020,167	1,039,600		
Construction	46,033	50,133	49,533		
Retail	168,067	172,733	175,733		
Wholesale Trade and Utilities	79,167	80,767	81,300		
Manufacturing	140,100	141,733	145,567		
Durable goods	101,000	103,667	107,433		
Non-durable goods	39,100	38,067	38,133		
Government	143,200	135,733	145,267		
FIRE	65,200	65,700	65,767		
Services	300,500	307,067	310,133		
Non-Agricultural Unemployment (UE)					
Initial UE Claims	17,491	23,619	16,490	18,026	13,938
UE Rate	4.6%	4.1%	4.2%	4.0%	3.4%
Unemployment Beneficiaries	25,154	32,931	21,556	20,674	21,445
Manufacturing	4,432	5,412	3,454	2,799	3,088
Non-Manufacturing	20,722	27,519	18,101	17,875	18,357

"Region" consists of King, Kitsap, Pierce, Snohomish and Island Counties. Island County is included to make unemployment figures consistent with Non-Agricultural Employment.

Civilian Labor Force consist of laborers who live in the region in question. (Residence based).

Non-Agricultural Employment consists of laborers who work in the region in question. (Place of work based).

All figures are averages of monthly figures except Initial UE claims, which is a 3 month sum. Second Quarter 1997 unemployment figures are projections based on April figures, except for the Unemployment Rate, which is based on complete information.

King County Non-Agricultural employment for 1997 is not yet available.

SOURCE:

Washington State Labor Area Summaries (Washington State Employment Security). (r) - revised

INCOME MEASURES

NATION	1996 II	III	IV	1997 I (r)	II (p)
Per Capita Disposable Personal Income (in 1992 constant \$)	\$19,081	\$19,161	\$19,152	\$19,331	\$19,435

REGION (King, Kitsap, Pierce, Snohomish)	1994 IV	1995 I	II	III	IV
Wages (current dollars, not deflated)					
Agriculture, Forestry, Fishing	\$2,237	\$2,390	\$2,158	\$1,898	\$2,137
Mining	\$3,329	\$2,919	\$3,029	\$2,987	\$3,144
Construction	\$2,599	\$2,501	\$2,586	\$2,539	\$2,755
Manufacturing	\$3,386	\$3,360	\$3,393	\$3,339	\$3,583
Transportation and Public Utilities	\$2,951	\$3,203	\$2,963	\$2,982	\$3,123
Wholesale Trade	\$3,057	\$3,041	\$2,954	\$2,921	\$3,207
Retail Trade	\$1,390	\$1,382	\$1,380	\$1,334	\$1,404
FIRE	\$2,819	\$3,018	\$2,796	\$2,791	\$3,090
Services	\$2,307	\$2,301	\$2,297	\$2,288	\$2,514
Government	\$2,611	\$2,669	\$2,635	\$2,442	\$2,730
Overall Average	\$2,484	\$2,513	\$2,477	\$2,412	\$2,611

LOCAL (King County)	1994 IV	1995 I	II	III	IV
Wages (current dollars, not deflated)					
Agriculture, Forestry, Fishing	\$2,800	\$2,997	\$2,729	\$2,323	\$2,597
Mining	\$3,535	\$3,018	\$3,184	\$3,341	\$3,340
Construction	\$2,758	\$2,687	\$2,749	\$2,825	\$2,962
Manufacturing	\$3,458	\$3,429	\$3,431	\$3,404	\$3,647
Transportation and Public Utilities	\$3,008	\$3,333	\$3,001	\$3,110	\$3,196
Wholesale Trade	\$3,201	\$3,185	\$3,077	\$3,076	\$3,347
Retail Trade	\$1,469	\$1,469	\$1,452	\$1,474	\$1,480
FIRE	\$2,979	\$3,231	\$2,965	\$3,022	\$3,290
Services	\$2,507	\$2,547	\$2,526	\$2,611	\$2,746
Government	\$2,670	\$2,750	\$2,712	\$2,860	\$2,788
Overall Average	\$2,623	\$2,683	\$2,619	\$2,666	\$2,769

Per Capita Disposable Personal Income: Figures are in 1992 dollars and are seasonally adjusted annual rates.

Wages: Average of monthly wages by industry, not occupation, and represents jobs covered by the Washington Employment Security Act. Figures are lagged one year or more due to reporting delay. Figures are not deflated due to difficulty in choosing appropriate deflator.

"Region" consists of King, Pierce, Kitsap, and Snohomish counties.

"Local" consists of King County.

SOURCES:

Per Capita Disposable Income comes from the **U.S. Bureau of Economic Analysis** (<http://www.bea.doc.gov/bea/nipubl-d.html>).

Wages: **Employment and Payrolls in Washington State by County and Industry** (Washington State Employment Security).

CONSTRUCTION

	1996			1997	
	II	III	IV	I	II
Residential Construction (\$\$ value) 1/	\$111,647,291	\$58,706,130	\$84,616,706	\$44,839,960	\$53,382,008
Non-Residential Construction (\$\$ value) 2/	\$78,913,687	\$118,376,480	\$119,486,520	\$96,051,885	\$163,426,134
Home Sales (King County)					
# of Sales	5,845	5,315	4,696	4,664	6,102
Mean Sales Price	\$209,179	\$218,916	\$208,766	\$216,434	\$226,408
Building Permits					
Commercial and Industrial 3/	610	619	533	631	710
Existing Housing Units	585	626	393	408	623
New Residential Permits	129	177	124	102	155
New Residential Units	817	614	899	416	433

1/ Value consists of total value of permits for residential construction from DCLU Permit Report

2/ Value consists of total value of permits for Non-residential construction from DCLU Permit Report

3/ Number of commercial and industrial permits is estimated by number of total permits minus residential, schools, churches, and some specific permits.

Figures represent construction activity for City of Seattle.

Number of commercial and industrial permits is estimated by number of total permits minus residential, schools, churches, and some specific permits.

SOURCES:

City of Seattle Department of Construction and Land Use, "**Issued Permit Data**" (monthly reports). Home sale data comes from the **Northwest Multiple Listing Service**.

OFFICE MARKET

Seattle Overall	1996			1997	
	II	III	IV	I	II
Total Sq. Feet	35,541,056	35,473,631	35,527,165	35,624,112	36,252,932
# Buildings	422	421	423	424	443
Vacant Sq. Feet	3,858,818	3,740,277	3,518,562	3,303,609	3,498,208
Vacancy Rates	10.9%	10.5%	9.9%	9.3%	9.6%
Project Under Cons (Sq. Ft.)	113,200	95,000	95,000	0	292,000
Absorption (Sq. Ft.)	414,267	65,576	222,406	312,911	411,880

"Seattle Overall" consists of Downtown, Northend, Southend, and Tacoma/Federal Way.

Downtown Seattle	1996			1997	
	II	III	IV	I	II
Total Sq. Feet	26,005,339	25,997,420	26,039,858	26,134,858	26,473,358
# Buildings	196	196	197	198	205
Vacant Sq. Feet	1,829,848	1,752,595	1,639,395	1,546,673	1,584,882
Vacancy Rates	7.0%	6.7%	6.3%	5.9%	6.0%
Project Under Cons (Sq. Ft.)	95,000	95,000	95,000	0	292,000
Absorption (Sq. Ft.)	311,934	74,534	113,891	187,733	235,912
Class A					
Median Lease Rate/sf	\$18.00	\$18.00	\$22.00	\$23.50	\$23.00
Vacancy Rate	6.2%	5.5%	5.0%	4.5%	3.8%
Class B					
Median Lease Rate/sf	\$14.00	\$14.00	\$16.00	\$17.00	\$17.50
Vacancy Rate	10.1%	10.7%	10.3%	9.8%	13.9%
Class C					
Vacancy Rate	8.6%	10.1%	10.7%	9.3%	10.0%

"Downtown Seattle" consists of the Canal, CBD, Denny Regrade, Lake Union, Lower Queen Anne, Pioneer Square and Waterfront.

North King County	1996			1997	
	II	III	IV	I	II
Total Sq. Feet	1,032,359	1,050,559	1,050,559	1,050,559	1,050,559
# Buildings	22	23	23	23	23
Vacant Sq. Feet	124,321	130,371	107,367	104,435	79,637
Vacancy Rates	12.0%	12.4%	10.2%	9.9%	7.6%
Project Under Cons (Sq. Ft.)	18,200	0	0	0	0
Absorption (Sq. Ft.)	-7,770	6,510	23,004	3,932	23,798
Class A					
Median Lease Rate/sf	\$17.50	\$17.50	\$17.50	\$19.00	\$19.00
Vacancy Rate	12.7%	13.0%	10.2%	10.6%	7.7%
Class B					
Median Lease Rate/sf	\$16.20	\$16.20	\$16.00	\$17.25	\$17.25
Vacancy Rate	9.0%	9.6%	10.2%	7.0%	7.0%

"North King County" consists of area north of the Ship Canal up to the King County line.

The *Absorption Rate* is the change in amount of leased space. A negative figure means more space came onto the market than was absorbed by new leases.

SOURCE: CB Commercial Quarterly Market Report, a publication of Coldwell Bankers commercial division.

OFFICE MARKET

South King County	1996			1997	
	II	III	IV	I	II
Total Sq. Feet	5,113,490	5,035,684	5,046,880	5,048,827	5,296,590
# Buildings	115	113	114	114	126
Vacant Sq. Feet	1,417,892	1,418,215	1,366,747	1,240,026	1,492,088
Vacancy Rates	27.7%	28.2%	27.1%	24.6%	28.2%
Project Under Cons (Sq. Ft.)	0	0	0	0	0
Absorption (Sq. Ft.)	162,831	-63,129	51,468	128,668	67,095
Class A					
Median Lease Rate/sf	\$14.75	\$14.75	\$15.00	\$16.50	\$16.50
Vacancy Rate	27.2%	27.1%	25.5%	24.3%	25.0%
Class B					
Median Lease Rate/sf	\$12.25	\$12.25	\$13.50	\$14.00	\$14.50
Vacancy Rate	29.5%	31.1%	31.3%	24.8%	35.7%

"South King County" consists of area south of the Kingdome to the King County line.

Bellevue/Eastside	1996			1997	
	II	III	IV	I	II
Total Sq. Feet	15,205,241	15,205,241	15,080,684	15,122,471	15,200,253
# Buildings	275	275	275	276	278
Vacant Sq. Feet	643,080	923,935	765,980	541,805	387,463
Vacancy Rates	4.2%	6.1%	5.1%	3.6%	2.5%
Project Under Cons (Sq. Ft.)	28,000	326,395	680,395	825,574	731,195
Absorption (Sq. Ft.)	92,894	-110,264	84,969	98,895	180,872
Class A					
Ave. Effective Gross/sf	\$17.0-27.0	\$17.0-27.0	\$19.2-30.0	\$19.0-35.0	\$19.0-38.0
Vacancy Rate	3.3%	4.3%	3.5%	2.5%	1.5%
Class B					
Ave. Effective Gross/sf	\$17.0-18.0	\$17.0-18.0	\$17.0-19.0	\$17.0-20.0	\$17.0-21.0
Vacancy Rate	4.5%	4.4%	4.5%	5.0%	4.2%
Class C					
Ave. Effective Gross/sf	\$12.0-15.0	\$12.0-15.0	\$14.0-16.0	\$14.0-17.0	\$14.0-18.0
Vacancy Rate	10.7%	13.7%	9.5%	8.6%	4.9%

"Bellevue/Eastside" consists of the East side of Lake Washington, from Bothell on the King/Snohomish County line to Renton City Limits.

The *Absorption Rate* is the change in amount of leased space. A negative figure means more space came onto the market than was absorbed by new leases.

SOURCE: CB Commercial Quarterly Market Report, a publication of Coldwell Bankers commercial division.

INDUSTRIAL MARKET

Seattle Close-In	1996			1997	
	II	III	IV	I	II
Total Square Footage					
Industrial	66,599,890	66,650,000	66,539,044	66,310,912	66,431,658
High-Tech	1,260,260	1,287,697	1,135,816	1,162,546	1,220,412
Total	67,860,150	67,937,697	67,674,860	67,473,458	67,652,070
Vacancy					
Industrial	4.5%	4.3%	3.8%	3.3%	3.4%
High-Tech	7.4%	7.9%	8.7%	7.1%	10.7%
Total Vacant Sq. Ft.					
Industrial	3,079,019	2,981,266	2,646,698	2,293,536	2,363,670
High-Tech	2,986,339	2,879,280	2,547,847	2,210,715	2,232,578
	92,680	101,986	98,851	82,821	131,092
Lease Rates					
Older Buildings	\$.25-.38/sf shell including office up to 30%	\$.25-.38/sf shell including office up to 20%		\$.25-.38/sf shell + \$.55-.60/sf office	
Newer Buildings	\$.32-.38/sf shell + \$.60-.65/sf office	\$.38-.40/sf shell + \$.60-.65/sf office		\$.38-.40/sf shell + \$.60-.65/sf office	
NNN Expenses	\$.05-.16/sf per month	\$.05-.16/sf per month		\$.05-.16/sf per month	
High-Tech	\$.65-1.00/sf per month	\$.65-1.00/sf per month		\$.65-1.00/sf per month	
Absorption (sf) 2/	471,000	808,478	1,217,019	226,690	-3,051

"Seattle Close-In" stretches from the King/Snohomish line south to Tukwila.

Absorption is for the quarter.

SOURCE: CB Commercial Quarterly Market Report, a publication of Coldwell Bankers commercial division.

INDUSTRIAL MARKET

Kent Valley Market	1996			1997	
	II	III	IV	I	II
Total Square Footage					
Industrial	75,549,929	75,700,000	76,793,662	77,482,464	79,945,508
High-Tech	1,834,028	1,847,649	1,834,028	1,834,028	1,834,164
Total	77,383,957	77,547,649	78,627,690	79,316,492	81,779,672
Vacancy					
Industrial	5.2%	5.3%	5.5%	5.4%	6.7%
High-Tech	5.5%	6.2%	5.0%	6.8%	7.5%
Total Vacant Sq. Ft.					
Industrial	4,052,768	4,141,609	4,304,975	4,306,037	5,467,445
High-Tech	101,440	114,369	92,165	124,854	137,716
Lease Rates					
Older Buildings	\$.28-.30/sf shell + \$.50-.55/sf office	\$.28-.30/sf shell + \$.50-.55/sf office		\$.28-.30/sf shell + \$.50-.55/sf office	
New Buildings	\$.28-.32/sf shell + \$.55-.60/sf office	\$.30-.32/sf shell + \$.55-.60/sf office		\$.30-.32/sf shell + \$.55-.60/sf office	
NNN expenses	\$.05-.12/sf per month	\$.07-.12/sf per month		\$.07-.12/sf per month	
High-Tech	\$0.75-1.15/sf	\$0.75-1.15/sf		\$0.75-1.15/sf	
Absorption (sf)	921,507	1,226,035	1,276,828	244,898	32,940

"Kent Valley" is defined as Tukwila, Renton, Kent, Auburn and Sea-Tac.

SOURCE: CB Commercial Quarterly Market Report, a publication of Coldwell Bankers commercial division.

INDUSTRIAL MARKET

Eastside Market	1996			1997	
	II	III	IV	I	II
Total Square Footage	17,728,869	17,873,625	17,828,465	18,516,625	18,633,822
Industrial	13,637,874	13,700,000	13,619,970	14,256,955	14,338,152
High-Tech	4,090,995	4,173,625	4,208,495	4,259,670	4,295,670
Vacancy					
Industrial	5.8%	6.4%	6.1%	6.0%	5.3%
High-Tech	7.3%	6.3%	6.2%	5.5%	4.9%
Total Vacant Sq. Ft.	1,086,530	1,134,258	1,094,936	1,087,498	970,447
Industrial	786,087	871,320	833,634	853,471	760,819
High-Tech	300,443	262,938	261,302	234,027	209,628
Lease Rates					
Older Buildings	\$.40-.45/sf shell + \$.75 - .95/sf office	\$.40-.45/sf shell + \$.75 - .95/sf office	\$.40-.50/sf shell + \$.85 - 1.00/sf office	\$.38-.45/sf shell + \$.75-.95/sf office	
New Buildings	\$.45-.55/sf shell + \$.85 - 1.15/sf office	\$.45-.55/sf shell + \$.85 - 1.15/sf office	\$.48-.65/sf shell + \$.90 - 1.15/sf office	\$.42-.60/sf shell + \$.85-1.05/sf office	
NNN expenses	\$.06-.26/sf per month	\$.06-.26/sf per month		\$.06-.26/sf per month	
Absorption (sf)	239,054	-16,096	112,034	304	180,576

"Eastside Market" consists of the East side of Lake Washington, King/Snohomish County Line south to Renton City Limits.

SOURCE: CB Commercial Quarterly Market Report, a publication of Coldwell Bankers commercial division.

RETAIL

Puget Sound Area	1995		1996		1997
	First Half	Second Half	First Half	Second Half	First Half
Total Rentable Sq. Footage	49,513,862	59,947,985	55,025,933	55,721,440	57,680,961
Total Vacant	2,494,705	1,696,894	2,752,462	3,093,269	3,692,585
Vacancy Rates	5.0%	2.8%	5.0%	5.6%	6.4%
Absorption (sf)	859,149	1,441,882	-269,275	416,762	1,360,265

Puget Sound consists of the downtown Seattle, Northend, Southend, Eastside, and Kitsap Markets.

Downtown Seattle	1995		1996		1997
	First Half	Second Half	First Half	Second Half	First Half
Total Rentable Sq. Ft.	3,080,301	3,142,277	3,251,535	3,516,735	3,627,914
Total Vacant	805,158	80,205	45,092	33,571	81,969
Vacancy Rates	26.1%	2.6%	1.4%	1.0%	2.3%
Rental Rates	\$28.81	\$27.45	\$22.00	\$21.45	\$22.78
Absorption (sf)	181,135	37,885	35,113	234,521	62,781

The Ship Canal south to the West Seattle Bridge including the Central Business District, Denny Regrade, Lower Queen Anne, Pioneer Square, West Lake Union, Capitol Hill and the Central District.

Northend	1995		1996		1997
	First Half	Second Half	First Half	Second Half	First Half
Total Rentable Sq. Ft.	14,572,813	14,703,952	13,960,114	14,044,655	14,419,662
Total Vacant	476,280	359,186	599,384	730,790	782,182
Vacancy Rates	3.3%	2.4%	4.3%	5.2%	5.4%
Rental Rates	\$16.05	\$16.43	\$15.12	\$13.59	?
Absorption (sf)	386,087	68,233	-185,070	87,567	323,675

Northend is defined as North Seattle from Ship Canal up through Snohomish and Northern Counties.

Southend	1995		1996		1997
	First Half	Second Half	First Half	Second Half	First Half
Total Rentable Sq. Ft.	21,002,781	28,302,379	25,602,468	25,869,468	26,721,964
Total Vacant	883,899	859,157	1,613,889	1,835,940	1,968,671
Vacancy Rates	4.2%	3.0%	6.3%	7.1%	7.4%
Rental Rates	\$13.01	\$14.85	\$12.13	\$13.59	\$12.29
Absorption (sf)	85,736	1,324,742	-287,801	24,949	719,765

"Southend" is South Seattle through Pierce and Thurston Counties.

Previous to 1Q/95, Southend was defined as the area south of the Kingdome to the King/Pierce County line.

Bellevue/Eastside	1995		1996		1997
	First Half	Second Half	First Half	Second Half	First Half
Total Rentable Sq. Ft.	8,249,441	10,752,257	9,539,528	9,618,294	9,861,030
Total Vacant	265,434	317,275	350,694	345,609	476,879
Vacancy Rates	3.2%	3.0%	3.7%	3.6%	4.8%
Rental Rates	\$18.06	\$17.42	\$16.08	\$15.68	\$14.72
Absorption (sf)	101,413	28,159	112,815	73,681	111,466

All of King County east of Lake Washington, including Bellevue, Kirkland, Redmond, Issaquah, Bothell and Mercer Island.

SOURCE: CB Commercial *Quarterly Market Report*, a publication of Coldwell Bankers commercial division.

Notes: Vacancy rates are now listed in six month periods.

As of the second half of 1995, the Frederick and Nelson and I. Magnin buildings are no longer included as available space but rather as planned space. This has reduced Downtown Seattle's vacancy rate dramatically.

Apartment Vacancy Rates

	1995		1996		1997
	First Half	Second Half	First Half	Second Half	First Half
Seattle/North King	2.9%	2.6%	2.7%	1.2%	1.3%
Capitol Hill/Eastlake	1.2%	2.0%	1.1%	0.9%	1.9%
Central District	2.0%	1.7%	1.7%	1.0%	1.7%
Downtown/First Hill	3.1%	2.9%	2.6%	1.6%	0.8%
Magnolia/Queen Anne	2.6%	1.2%	2.4%	0.4%	1.3%
North Seattle	3.7%	1.6%	3.2%	0.0%	1.5%
Sandpoint	1.3%	0.5%	1.0%	0.0%	0.0%
South Seattle	3.1%	3.1%	2.1%	1.0%	1.1%
University District	3.8%	1.1%	4.7%	3.7%	0.8%
West Seattle	3.5%	3.7%	3.1%	1.6%	1.7%
South King County	5.3%	5.6%	5.0%	3.0%	1.9%
Auburn	5.1%	6.3%	5.1%	5.4%	2.3%
Burien/Des Moines	4.9%	5.2%	5.8%	3.2%	2.0%
Federal Way	5.5%	7.8%	4.9%	3.5%	2.0%
Kent	5.6%	5.7%	5.0%	3.2%	1.6%
Renton	5.8%	3.8%	3.3%	1.5%	1.9%
Sea-Tac/Tukwila	3.6%	4.3%	5.8%	2.7%	1.8%
East King County	3.4%	3.0%	2.1%	1.0%	1.1%
Bellevue	3.6%	3.8%	2.1%	0.8%	0.9%
Bothell/Woodinville	5.0%	3.0%	3.0%	0.5%	1.8%
Issaquah/North Bend	4.4%	2.9%	2.0%	2.2%	1.0%
Kirkland	2.7%	2.2%	1.3%	1.3%	1.2%
Redmond	3.0%	2.9%	2.9%	1.2%	0.8%
Snohomish County	5.5%	4.2%	4.2%	1.2%	1.4%
Edmonds	3.5%	2.2%	3.9%	1.0%	1.4%
Everett	6.3%	5.7%	5.1%	1.9%	1.7%
Lynnwood	5.6%	3.6%	3.4%	1.3%	1.0%
Marysville	5.4%	2.8%	1.6%	0.0%	2.1%
Mountlake Terrace	5.1%	2.6%	3.7%	0.3%	0.8%
Pierce County	4.8%	6.7%	6.3%	6.0%	4.8%
Fircrest	5.0%	4.8%	4.8%	4.7%	4.2%
Gig Harbor	3.3%	3.1%	2.4%	4.2%	6.4%
Lakewood	6.1%	8.6%	7.7%	6.9%	6.1%
Puyallup	3.1%	7.2%	8.7%	4.9%	3.0%
Tacoma	3.6%	6.6%	5.6%	6.4%	5.0%

Source: CB Commercial Market Report

CONVENTION INFORMATION					
KING COUNTY	1996			1997	
	II	III	IV	I	II
# Conventions/Events	135	129	142	109	141
# Room Nights	111,727	95,871	97,934	165,893	183,467
Local Room Tax	\$2,558,957	\$3,288,200	\$2,316,353	\$2,107,068	
Room Nights per Event	828	743	690	1,522	1,301
Local Room Tax per Event	\$18,955	\$25,490	\$16,312	\$19,331	

(p) - Preliminary.

(r) - Revised.

The figures for # events and # room nights are for all events booked at the convention center and area hotels, not just conventions.

"Local Room Tax" shows Washington state Hotel/Motel Tax Distributions to King County. This is used to estimate delegate expenses. Figures have been revised to show when room tax was collected, not distributed, since distribution happens two months after collection. For example, Hotel/Motel distributions for June reflect collections made in April. Second Quarter 1996 includes taxes collected in April, May and June, and distributed in June, July and August.

The tax totals do not include an extra Hotel/Motel Tax collected in Bellevue.

Local Room Tax collections data for Second Quarter 1997 is not yet available. First Quarter figures are based on January and February data, since March data is not yet available.

SOURCES:

Seattle-King County Convention and Visitors Bureau (# Conventions/Events and # Room Nights).

Washington Department of Revenue (Hotel/Motel Tax Distribution to King County).

Seattle-King County Dislocation Activity - 2Q/97

Company	Location	Workers	No.
Bristol-Myers Squibb	Seattle	Pharmaceutical Research	240
BNSF Railroad	Seattle	Railway Clerks	150
MIDCOM Communications	Seattle	Telephone Service & Sales	127
Snoqualmie Valley Hospital	Snoqualmie	Health Care	100
Lindal Cedar Homes	Totem Lake	Production	60
Merlino's (Borden, Inc.)	Kent	Production	60
Royal Seafood	Seattle	Production	60
Bon Marche Distribution Center	Tukwila	Warehouse	30
Weyerhaeuser	Federal Way	Production	30
PCI/SMI	Seattle	Operating Engineers	15
Instuform Technology	Kent	Phone Products	9
1997 2nd Quarter Totals	11 Companies	881 Dislocated Workers	
1997 1st Quarter Totals	16 Companies	1,873 Dislocated Workers	
1996 Totals	50 Companies/53 Cases	3,977 Dislocated Workers	

Source: King County Reemployment Support Center.

Boeing and Airline Industry Data

Boeing Employees in Washington State

	June-96	August-96	December-96	March-97	June-97
Employees	76,132	79,411	87,769	91,443	95,892

Year	Employees
1996	87,769
1995	71,834
1994	81,964
1993	88,890
1992	98,603
1991	104,700
1990	104,515
1989	106,670

Source: **The Boeing Company**.

Please note that for yearly totals, data reflects number of Boeing employees in Washington state at the end of the year.

Boeing Contractual Backlogs

(in billions)

Contractual backlog:	6/30/96	9/30/96	12/31/96	3/31/97	6/30/97
Commercial aircraft	76.3	79.1	79.2	79.8	77.8
Defense and Space	5.2	5.2	8.5	9.4	9
Total	81.5	84.3	87.7	89.2	86.8

Source: **The Boeing Company** World Wide Web home page.

U.S. Airlines -- Net Profits

(in thousands)

1991	1992	1993	1994	1995
(1,940,157)	(4,791,284)	(2,135,626)	(344,115)	2,376,763

Source: **Air Transport Association** World Wide Web page.

Sources for Quarterly Economic Measures

AIR TRANSPORT ASSOCIATION is the source for airline industry profits. Their World Wide Web address is <http://www.air-transport.org/>.

BOEING is the source for Boeing employment and for their backlog of airplane orders. Their World Wide Web address is <http://www.boeing.com/>.

CB COMMERCIAL QUARTERLY MARKET REPORT is a quarterly publication of Coldwell Bankers' commercial division. It contains data on industrial, commercial, retail and apartment properties.

CITY OF SEATTLE DEPARTMENT OF CONSTRUCTION AND LAND USE sends out an "Issued Permit Data" report every month. It contains the number of permits issued and the value of permitted construction.

EMPLOYMENT AND PAYROLLS IN WASHINGTON STATE BY COUNTY AND INDUSTRY is published by Washington State Employment Security. It contains wages paid and employment levels for industries by county. It has a lag of about one year.

FEDERAL HOUSING FINANCE BOARD is the source for the national new home mortgage yield. Their web address is <http://www.fhfb.gov/mirs.htm>.

FEDERAL RESERVE is the source for the bulk of national interest rates, as well as industrial production and capacity utilization figures. Their World Wide Web address is <http://www.bog.frb.fed.us/releases/H15/>.

KING COUNTY REEMPLOYMENT SUPPORT CENTER is a core program of the Worker Center and is the source for worker layoff data.

PORT OF SEATTLE is the source for air and waterborne freight shipment data, as well as passenger traffic.

QUARTERLY BUSINESS REVIEW is published quarterly by the Washington State Dept. of Revenue. It lists the amount of taxable retail sales by industry by county. The data has a lag of around six months.

SEATTLE CITY LIGHT tabulates electrical sales in a monthly revenue report.

SEATTLE DEPARTMENT OF REVENUE is the source for new business starts. It is measured by the number of business licenses issued.

SEATTLE-KING COUNTY CONVENTION AND VISITORS BUREAU is the source for the bulk of convention information. The exception is for local room tax, which comes from the Washington Dept. of Revenue.

SEATTLE TIMES BUSINESS SECTION (from MARKET TRENDS RESEARCH CO.) publishes a table of local interest rates every Monday called "Money/Database."

U.S. BANKRUPTCY COURT tracks the number and type of bankruptcies and tabulates them monthly.

U.S. BUREAU OF ECONOMIC ANALYSIS is the source for many of the national economic measures. Their web site is <http://www.bea.doc.gov>.

U.S. CENSUS BUREAU is the source for manufacturers' new orders and non-defense capital goods orders. Their web site is <http://www.census.gov/indicator/www/table5p.txt>.

WASHINGTON DEPT. OF REVENUE publishes *Local Tax Distributions* every two months. This is the source for local room tax.

WASHINGTON STATE LABOR AREA SUMMARIES is published monthly by Washington State Employment Security. It contains both labor statistics and price index data. It has a lag of one to two months.